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C O N F I D E N T I A L KUWAIT 000665

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DEPT FOR NEA/I, TREASURY FOR DEPUTY SECRETARY KIMMITT

E.O. 12958: DECL: 10/08/2011

TAGS: [EAID](#) [ECON](#) [EFIN](#) [ETRD](#) [IZ](#) [KU](#) [PGOV](#) [PREL](#)

SUBJECT: IRAQ COMPACT: KUWAIT'S LINE-UP AND UPDATE ON ARAB  
FUND ARREARS

REF: A. KUWAIT 605

[1](#)B. BAGHDAD 1464

[1](#)C. BAGHDAD 1475

[1](#)D. KUWAIT 575

[1](#)E. KUWAIT 584

Classified By: Economic Counselor Timothy A. Lenderking for Reasons 1.4  
(b) and (d)

[1](#)1. (C) Econcouns spoke with Ambassador Khalid Maqamis, the MFA's head of Coordination and Follow-up and primary point of contact on the Iraq Compact, on May 2 to confirm Kuwait's participation in the May 3 ICI signing event. Maqamis confirmed that he would accompany Kuwait FM Shaykh Dr. Mohammed Al-Sabah Al-Salem Al-Sabah to the ICI. He reaffirmed Kuwait's support for the ICI and said the FM would make a strong supporting statement at the event.

[1](#)2. (SBU) Econcouns also spoke with Dr. Abdelatif Y. Al-Hamad, Chairman of the Arab Fund for Social and Economic Development. Al-Hamad confirmed that Dr. Khalifa Ali Dau, Senior Financial Advisor, would represent the Fund.

Arab Fund Arrears Close...but Unresolved  
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[1](#)3. (C) Econcouns asked Al-Hamad about recent developments on resolving the arrears issue with the GOI since Iraq Coordinator Satterfield's meeting with Al-Hamad on April 23 (Ref A). As noted in Refs B and C, Al-Hamad said he had had two conversations with Iraq Central Bank Governor Shabibi concerning the arrears. He said that the previous week he had received a call from Shabibi requesting a meeting in Kuwait, which he agreed to. Shabibi was to be accompanied by UN Special Advisor Gambari. Al-Hamad said that shortly before the agreed meeting time, he received a call that Shabibi wished to reschedule the meeting. Al-Hamad said he was not able to accommodate the change, so no meeting with Shabibi and Al-Hamad or anyone else at the Arab Fund occurred. Al-Hamad received a second call from Shabibi some days later. In this conversation, Shabibi brought to Al-Hamad's attention a statement by the GOI leadership indicating that Iraq would honor its obligations to international lenders. Shabibi requested that on that basis the Arab Fund announce at the ICI meeting new lending to Iraq. Al-Hamad told Shabibi the Arab Fund could not move on the basis of a "vague" public statement; rather, the GOI had to agree to the repayment plan previously discussed with Minister Baban. "If they send us a letter indicating agreement, we can help," Al-Hamad said. He stressed to Econcouns that he has known Shabibi for a long time, and "he's a good man." Al-Hamad noted that the Fund's next board

meeting is in June, and he hoped the issue could be resolved by then so the Board could bless it. Resolution or not, Al-Hamad asserted to Econcouns that the Fund would make a strong, supportive statement at the ICI.

Comment

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14. (C) We concur with Embassy Baghdad that a resolution on the arrears issue is close at hand. What is required is a letter from the GOI indicating agreement to the repayment terms spelled out between Minister Baban and Dr. Al-Hamad last October. If the GOI remains unclear about what the terms are, then Minister Baban or Governor Shabibi should call the Arab Fund to clarify. The amount of debt in question (USD 108-110 million) is not insurmountable, and the Fund is prepared to proceed with a substantial program of concessional loans to Iraq once it has received written assurances from the Iraqis.

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LeBaron